

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other				Local Government Name		County	
Audit Date		Opinion Date		Date Accountant Report Submitted to State:			

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☐ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☐ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☐ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☐ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☐ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☐ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☐ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			
Reports on individual federal financial assistance programs (program audits).			
Single Audit Reports (ASLGU).			

Certified Public Accountant (Firm Name)				
Street Address		City	State	ZIP Code
Accountant Signature <i>Abraham & Gellray, P.C.</i> <i>Alan M. Stone</i>			Date	

**DeWitt Area Emergency Services Authority
DeWitt, Michigan**

FINANCIAL STATEMENTS

June 30, 2004

DeWitt Area Emergency Services Authority

DeWitt, Michigan

June 30, 2004

AUTHORITY BOARD MEMBERS

Mr. Gail Watkins	Chair
Mr. Don Potts	Vice-Chair
Mr. Bob McClean	Secretary/Treasurer
Mr. Bob Jesse	Board Member
Mr. Roy Thelen	Board Member
Mr. Jim Rundborg	Board Member

DeWitt Area Emergency Services Authority

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Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
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Eric J. Glashouwer, CPA

Karen A. Roka, CPA
James A. Huguelet, CPA
Alan D. Panter, CPA
William I. Tucker IV, CPA
Kurt M. Lemmen, CPA



ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

Member:
American Institute of
Certified
Public Accountants
and
Michigan Association of
Certified Public
Accountants

INDEPENDENT AUDITOR'S REPORT

Members of the DeWitt Area
Emergency Services Authority
DeWitt, Michigan

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the DeWitt Area Emergency Services Authority as of and for the year ended June 30, 2004, which collective comprise the Authority's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Board. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, major fund, and aggregate remaining fund information of the DeWitt Area Emergency Services Authority as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note A, the Authority has implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, as of July 1, 2003, along with all related statements and interpretations.

The management's discussion and analysis and budgetary comparison information on pages ii through iv and 16 are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

July 26, 2004

DeWitt Area Emergency Services Authority

Management's Discussion and Analysis

New Financial Reporting

Starting with fiscal year ended June 30, 2004, the DeWitt Area Emergency Services Authority, (the "Authority") has revised and improved its financial reporting document. These changes are a result of standards set by the Governmental Accounting Standards Board (GASB). The intent of these new standards is to provide citizens, taxpayers, customers, and investors with a better understanding of how the Authority's money and other assets are managed.

The new standards set by GASB are intended to give the reader of this annual financial report a better understanding of the financial status of the Authority. The new standards introduce accounting rules and systems that are common in the private sector. This report presents a much broader picture of the Authority's financial status. Through this comprehensive reporting of assets and liabilities, the reader should have a greater understanding of the Authority's financial health.

The discussion and analysis of financial performance provides an overview of the Authority's financial activities for the fiscal year ended June 30, 2004. Please read it in conjunction with the Authority's financial statements.

Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended June 30, 2004:

- The assets of the Authority exceeded its liabilities at the close of the most recent fiscal year by \$599,776 (net assets).
- The Authority's total net assets increased by \$50,519, as the result of current year activity.
- The Operating Fund finished the 2003-2004 fiscal year with an increase to fund balance of \$15,233. The ending fund balance for the 2003-2004 fiscal year for the Operating Fund was \$196,903.
- The Special Donation Fund finished the 2003-2004 fiscal year with a \$1,000 increase in fund balance. The ending fund balance for the 2003-2004 fiscal year for the Special Donation Fund was \$1,316.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the DeWitt Area Emergency Services Authority as a whole and present a longer-term view of the Authority's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the operations of the DeWitt Area Emergency Services Authority in more detail than the government-wide financial statements by providing information about the Authority's most significant funds.

DeWitt Area Emergency Services Authority

Management's Discussion and Analysis

The Authority as a Whole

The following table shows, in a condensed format, the net assets as of June 30, 2004. A comparative analysis of data will be presented in future years when the information is available.

Assets	
Current assets	\$ 138,727
Noncurrent assets	<u>470,838</u>
Total assets	609,565
Liabilities	
Current liabilities	<u>9,789</u>
Net Assets	
Invested in capital assets, net of related debt	470,838
Unrestricted	<u>128,938</u>
Total net assets	<u>\$ 599,776</u>

The Authority's total net assets were \$599,776 at June 30, 2004. Unrestricted net assets (the part of net assets that can be used to finance day-to-day operations) were \$128,938 at the end of the fiscal year. The net asset invested in capital assets were at \$470,838. The management's discussion and analysis will present a condensed comparative statement of net assets next year when we have two years of statements in the GASB Statement No. 34 format.

The following table shows the changes in net assets during the current year. Future reports will provide comparative data for the statement of activities. Comparative data is not required during the first year of reporting under requirements of GASB Statement No. 34.

Revenue	
Program revenue:	
Charges for services	\$ 70,700
Operating grants and contributions	227,700
General revenue:	
Other revenue	<u>971</u>
Total revenue	299,371
Program Expenses	
Public safety	<u>248,852</u>
Change in Net Assets	<u>\$ 50,519</u>

DeWitt Area Emergency Services Authority

Management's Discussion and Analysis

Governmental Activities

The Authority's governmental revenues totaled \$299,371 with the greatest revenue source being operating contributions from the constituent municipalities. Operating contributions from the constituent municipalities make up approximately 75.7 percent of total governmental revenue.

The Authority incurred expenses of \$248,52 during the year. As a special purpose government, all of the governmental expenses incurred are associated with the public safety function.

The Authority's Funds

The analysis of the Authority's major funds begins on page 3, following the government-wide financial statements. The fund financial statements provide detailed information about the individual funds, not the DeWitt Area Emergency Services Authority as a whole. The DeWitt Area Emergency Services Authority's Board of Trustees creates funds to help manage money for specific purposes as well as to show accountability for certain activities. The Authority's only major fund for the fiscal year ended June 30, 2004 was the Operating (Special Revenue) Fund.

The Operating Fund pays for most of the Authority's governmental services. The sole service provided during the fiscal year was emergency management, which incurred expenditures of approximately \$283,138 for the fiscal year.

General Fund Budgetary Highlights

Over the course of the fiscal year, the Authority Board made necessary budget adjustments to fund unanticipated expenditures during the year. Budget amendments were made to the salaries/fringe benefit line items due to the termination of coverage in Watertown Township, which significantly decreased the number of runs.

A budget amendment was made to the insurance line due to the increased cost in workers' compensation insurance and insurance for the vehicles.

A budget amendment was made to the utilities line item due to the increase in electric and gas prices and the addition of central air conditioning during the previous fiscal year.

A budget amendment was made to the capital outlay line item due to fire equipment that did not arrive in a timely manner forcing the expenditures to be charged to the 2003-2004 fiscal year rather than the 2002-2003 fiscal year.

Capital Asset Administration

At the end of the fiscal year, the Authority had \$470,838 invested in emergency service vehicles (net of accumulated depreciation). The Motor Pool Fund increased the capital assets with the purchase of a 2004 Freightliner Truck for \$319,789. Motor Pool capital assets were also decreased by \$24,000 with the removal of the 1974 Duplex Chassis Pumper.

Contacting the Authority's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Authority's finances and demonstrate the Authority's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the DeWitt City Treasurer at 517-669-2441.

BASIC FINANCIAL STATEMENTS

DeWitt Area Emergency Services Authority

STATEMENT OF NET ASSETS

June 30, 2004

	<u>Governmental Activities</u>
ASSETS	
Current	
Cash	\$ 138,727
Noncurrent	
Capital assets, net of accumulated depreciation	<u>470,838</u>
TOTAL ASSETS	609,565
LIABILITIES	
Current	
Accounts payable	4,613
Accrued wages	4,401
Accrued liabilities	<u>775</u>
TOTAL LIABILITIES	<u>9,789</u>
NET ASSETS	
Invested in capital assets	470,838
Unrestricted	<u>128,938</u>
TOTAL NET ASSETS	<u><u>\$ 599,776</u></u>

See accompanying notes to financial statements.

DeWitt Area Emergency Services Authority

STATEMENT OF ACTIVITIES

Year Ended June 30, 2004

Functions/Programs	Expenses	Program Revenue		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	
Governmental activities				
Public safety	\$ 248,852	\$ 70,700	\$ 227,700	\$ 49,548
	General revenues:			
	Miscellaneous			971
	CHANGE IN NET ASSETS			50,519
	Net assets, beginning of year			549,257
	Net assets, end of year			<u>\$ 599,776</u>

See accompanying notes to financial statements.

DeWitt Area Emergency Services Authority
GOVERNMENTAL FUNDS BALANCE SHEET

June 30, 2004

	Operating	Other Non-major Governmental Fund	Total Governmental Funds
ASSETS			
Cash	\$ 126,255	\$ 1,316	\$ 127,571
Advances to other funds	80,000	-	80,000
	<u>206,255</u>	<u>1,316</u>	<u>207,571</u>
TOTAL ASSETS	<u>\$ 206,255</u>	<u>\$ 1,316</u>	<u>\$ 207,571</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 4,176	\$ -	\$ 4,176
Accrued wages	4,401	-	4,401
Accrued liabilities	775	-	775
	<u>9,352</u>	<u>-0-</u>	<u>9,352</u>
TOTAL LIABILITIES	9,352	-0-	9,352
FUND BALANCES			
Reserved for contributors' purposes	-	1,316	1,316
Unreserved			
Undesignated	196,903	-	196,903
	<u>196,903</u>	<u>1,316</u>	<u>198,219</u>
TOTAL FUND BALANCES	<u>196,903</u>	<u>1,316</u>	<u>198,219</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 206,255</u>	<u>\$ 1,316</u>	<u>\$ 207,571</u>

See accompanying notes to financial statements.

DeWitt Area Emergency Services Authority

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS

June 30, 2004

Fund balances - governmental funds	\$ 198,219
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Amounts reported for the governmental activities in the statement of net assets are different because:

The Internal Service Fund is used by management to charge the costs of maintaining vehicles to the Special Revenue Fund. The assets and liabilities of the Internal Service Fund are included in the governmental activities in the Government-wide Statement of Net Assets.

Motor pool	<u>401,557</u>
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Net assets of governmental activities	<u>\$ 599,776</u>
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See accompanying notes to financial statements.

DeWitt Area Emergency Services Authority

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2004

	Operating	Other Non-major Governmental Funds	Total Governmental Funds
REVENUES			
Intergovernmental			
City and Townships	\$ 226,700	\$ -	\$ 226,700
Charges for services	70,700	-	70,700
Other	971	1,000	1,971
TOTAL REVENUES	298,371	1,000	299,371
EXPENDITURES			
Current			
Salaries and wages	66,098	-	66,098
Fringe benefits	10,573	-	10,573
Supplies	10,950	-	10,950
Contractual services	15,561	-	15,561
Telephone	1,391	-	1,391
Radio	978	-	978
Printing and publishing	1,018	-	1,018
Dues and subscriptions	290	-	290
Insurance	4,842	-	4,842
Repairs and maintenance	2,721	-	2,721
Utilities	9,444	-	9,444
Rent	12,000	-	12,000
Equipment rental	120,000	-	120,000
Training	750	-	750
Other	1,967	-	1,967
Capital outlay	24,555	-	24,555
TOTAL EXPENDITURES	283,138	-0-	283,138
EXCESS OF REVENUES OVER EXPENDITURES	15,233	1,000	16,233
Fund balances, beginning of year	181,670	316	181,986
Fund balances, end of year	\$ 196,903	\$ 1,316	\$ 198,219

See accompanying notes to financial statements.

DeWitt Area Emergency Services Authority

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2004

Net change in fund balances - governmental funds	\$ 16,233
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Amounts reported for governmental activities in the statement of activities are different because:

The Internal Service Fund is used by management to charge the costs of maintaining vehicles to the Special Revenue Fund. The net revenue from governmental activities accounted for in the Internal Service fund is:

Motor pool	<u>34,286</u>
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Change in net assets of governmental activities	<u><u>\$ 50,519</u></u>
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See accompanying notes to financial statements.

DeWitt Area Emergency Services Authority

Proprietary Fund

STATEMENT OF NET ASSETS

June 30, 2004

	Governmental Activities
	<u>Internal Service Fund</u>
ASSETS	
Current assets	
Cash	\$ 11,156
Noncurrent assets	
Capital assets, net of accumulated depreciation	<u>470,838</u>
TOTAL ASSETS	481,994
LIABILITIES	
Current liabilities	
Accounts payable	437
Noncurrent liabilities	
Advance from other funds	<u>80,000</u>
TOTAL LIABILITIES	<u>80,437</u>
NET ASSETS	
Unrestricted	<u><u>\$ 401,557</u></u>

See accompanying notes to financial statements.

DeWitt Area Emergency Services Authority

Proprietary Fund

STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN FUND NET ASSETS

Year Ended June 30, 2004

	Governmental Activities Internal Service
OPERATING REVENUES	
Equipment rental	\$ 120,000
Miscellaneous	671
TOTAL OPERATING REVENUES	120,671
OPERATING EXPENSES	
Gas and oil	2,470
Insurance	13,112
Repairs and maintenance	14,902
Depreciation	56,701
TOTAL OPERATING EXPENSES	87,185
OPERATING INCOME	33,486
NONOPERATING REVENUES	
Interest revenue	800
CHANGE IN NET ASSETS	34,286
Net assets, beginning of year	367,271
Net assets, end of year	\$ 401,557

See accompanying notes to financial statements.

DeWitt Area Emergency Services Authority

Proprietary Fund

STATEMENT OF CASH FLOWS

Year Ended June 30, 2004

	Governmental Activities Internal Service
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash receipts from other funds	\$ 200,000
Cash paid to suppliers	<u>(30,629)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	169,371
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital acquisitions	(319,789)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest revenue	<u>800</u>
NET DECREASE IN CASH	(149,618)
Cash, beginning of year	<u>160,774</u>
Cash, end of year	<u><u>\$ 11,156</u></u>
Reconciliation of operating income to net cash provided by operating activities	
Operating income	\$ 33,486
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	56,701
(Decrease) in accounts payable	(816)
Increase in advance from other funds	<u>80,000</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 169,371</u></u>

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE A: DESCRIPTION OF EMERGENCY SERVICES AUTHORITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The DeWitt Area Emergency Services Authority was created in 2001 by a joint venture agreement between the Townships of Olive and Riley and the City of DeWitt. Each municipality appoints two (2) members to the Board. The Fire Chief oversees the day-to-day operations of the Authority.

The Authority has no stockholders and all monies received are to be used for certain specified purposes in accordance with Public Act 7 and the joint venture agreement between the constituent municipalities.

Each municipality is required to contribute quarterly to the annual budget of the Authority based on an agreed upon funding formula. The total budget is spread to the three (3) municipalities based on weighted averages of the following: State Equalized Value, Population, Occupied Households, and number of runs within each unit's boundaries. Other responsibilities, including procedures for termination of services, are explicitly detailed in the joint venture agreement.

1. Reporting Entity

The accompanying financial statements are exclusive presentations of the financial condition and results of operations of the DeWitt Area Emergency Services Authority. The DeWitt Area Emergency Services Authority is considered a "joint venture" of the constituent municipalities.

2. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities (the government-wide statements) present information for the government as a whole. All non-fiduciary activities of the primary government are included (i.e., fiduciary fund activities are not included in the government-wide statements). Interfund activity has been eliminated in the preparation of the government-wide financial statements.

The statement of activities presents the direct functional expenses of the government and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes interest, and other general revenues and shows how governmental functions are either self-financing or supported by general revenues.

FUND FINANCIAL STATEMENTS

The fund financial statements present the Authority's individual major fund and aggregated non-major funds. Separate financial statements are provided for governmental funds and proprietary funds.

The major fund of the Authority is:

- a. The Operating (Special Revenue) Fund is the used to account for all financial resources to be used for fire protection services provided to each participating municipality.

3. Measurement Focus

The government-wide and proprietary fund financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide statements are provided that explain the differences in detail.

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE A: DESCRIPTION OF EMERGENCY SERVICES AUTHORITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Measurement Focus - continued

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

4. Basis of Accounting

Basis of accounting refers to when revenues and expenditures/expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). Revenues that are considered measurable but not available are recorded as a receivable and deferred revenue. Significant revenues susceptible to accrual are property taxes, special assessments, and certain intergovernmental revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Private-sector standards of accounting and financial reporting issued to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Authority has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues are charges to customers for sales and services. Operating expenses include the costs of sales and services, administrative expenses, and other costs of running the activity. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. If/when both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

5. Capital Assets

Capital assets include vehicles and are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements under the governmental activities. Capital assets are those with an initial individual cost of \$3,500 or more and an estimated useful life of more than one year. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE A: DESCRIPTION OF EMERGENCY SERVICES AUTHORITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

5. Capital Assets - continued

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Vehicles

5 - 10 years

6. Advances to Other Funds

Long-term advances from one fund to other funds are made to finance capital acquisitions.

7. Comparative Data

Comparative data for the prior year has not been presented in the accompanying financial statements since their inclusion would make the statements unduly complex and difficult to read.

8. Budgets and Budgetary Accounting

The Special Revenue (Operating) Fund budget shown in the financial statements was prepared on a basis not significantly different than the basis used to reflect actual results.

The Authority follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Prior to July 1, the budget is legally adopted on a fund level through passage of a Board resolution. After the budget is adopted all transfers of budgeted amounts between activities, or any revisions that alter the total expenditures of the fund or activity must be approved by the Board.
- b. Formal budgetary integration is employed as a management control device during the year.
- c. The Board does not employ encumbrance accounting as an extension of formal budgetary integration. Appropriations unused at June 30 are not carried forward to the following fiscal year.
- d. Budgeted amounts are reported as originally adopted or amended by the Board during the year. Individual amendments were appropriately approved by the Board as required.

9. Accounting Change

As of July 1, 2003, the Authority implemented the provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments (Statement) along with all related statements and interpretations. Some of the significant changes in the Statement include the following:

- A Management Discussion and Analysis (MD&A) section providing an analysis of the Authority's overall financial position and results of operations has been included.
- Government-wide financial statements (statement of net assets and statement of activities) prepared using full accrual accounting for all of the Authority's activities have been provided. Reconciliations are presented between the governmental fund level (modified accrual) and government-wide (full accrual) statements since their measurement focus is not the same.
- The fund financial statements focus on major funds rather than fund types.

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE A: DESCRIPTION OF EMERGENCY SERVICES AUTHORITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

9. Accounting Change - continued

This implementation has also required certain disclosures to be made in the notes to the financial statements concurrent with the implementation of Statement No. 34 based on GASB Statement No. 38. Certain note disclosures have been added and/or amended, including descriptions of activities of major funds and interfund balances and transactions, and various other disclosures.

NOTE B: CASH

DeWitt Area Emergency Services Authority's deposits consist of checking accounts, which are reported as cash on the Balance Sheet.

In accordance with Michigan Compiled Laws, the DeWitt Area Emergency Services Authority is authorized to invest in the following investment vehicles:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation (FDIC) or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation (FSLIC) or a credit union which is insured by the National Credit Union Administration, but only if the bank, savings and loan association, or credit union is eligible to be a depository of surplus funds belonging to the State under Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.
3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
4. The United States government or Federal agency obligations repurchase agreements.
5. Bankers acceptances of United States banks.
6. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits and \$100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws allow for collateralization of government deposits if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities, issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

Deposits of the DeWitt Area Emergency Services Authority are at federally insured banks located in the State of Michigan with all accounts maintained in the name of the DeWitt Area Emergency Services Authority.

As of June 30, 2004, the carrying amount and bank balance for the checking accounts as reported on the Balance Sheet were \$138,727 and \$141,087, respectively. As of June 30, 2004, the Authority's accounts were insured by the FDIC for \$100,000 and the amount of \$41,087 was uninsured.

DeWitt Area Emergency Services Authority

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE C: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2004 was as follows:

	Balance <u>July 1, 2003</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2004</u>
Governmental activities				
Vehicles	\$ 650,479	\$ 319,789	\$ 24,000	\$ 946,268
Less accumulated depreciation for:				
Vehicles	(442,729)	(56,701)	(24,000)	(475,430)
Capital assets, net	<u>\$ 207,750</u>	<u>\$ 263,088</u>	<u>\$ -0-</u>	<u>\$ 470,838</u>

NOTE D: ADVANCES RECEIVABLE AND PAYABLE

The following schedule details advances receivable and payable between the Operating Fund and the Motor Pool Fund at June 30, 2004:

Advance from major fund to Non-major internal service fund	<u>\$ 80,000</u>
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The advance to the internal service fund was made to finance capital acquisitions.

NOTE E: RISK MANAGEMENT

The Authority is exposed to various risks of loss including accidental death, dismemberment, disability, medical expense benefit; errors and omissions; blanket accident; firefighter accident; and workers' compensation for which the Authority carries commercial insurance.

NOTE F: RELATED PARTY NON-CANCELABLE OPERATING LEASE

The DeWitt Area Emergency Services Authority has entered into a ten year, non-cancelable long-term lease with the City of DeWitt, a related party organization, for the use of the fire station. The total rental payments made to the City of DeWitt for the year ended June 30, 2004, was \$12,000. Future minimum payments are as follows:

<u>Fire Station</u>	
2005	\$ 12,000
2006	12,000
2007	12,000
2008	12,000
2009	12,000
2010 and thereafter	<u>30,000</u>
TOTAL PAYMENTS	<u>\$ 90,000</u>

DeWitt Area Emergency Services Authority

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE G: FUND EQUITY RESERVES

Reserved fund balance is used to earmark a portion of fund equity to indicate that it is not appropriate for expenditure or has been legally segregated for a specific use.

The following is the fund balance reserve as of June 30, 2004:

Public Contributions Fund	
Reserved for contributors' purposes	<u>\$ 1,316</u>

REQUIRED SUPPLEMENTARY INFORMATION

DeWitt Area Emergency Services Authority

Special Revenue Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2004

	Original Budget	Amended Budget	Actual	Variance With Amended Budget Positive (Negative)
REVENUES				
Intergovernmental				
City and Townships	\$ 226,700	\$ 226,700	\$ 226,700	\$ -0-
Charges for services	100,000	70,000	70,700	700
Other	400	950	971	21
TOTAL REVENUES	327,100	297,650	298,371	721
EXPENDITURES				
Current				
Salaries and wages	86,500	71,000	66,098	4,902
Fringe benefits	13,800	12,600	10,573	2,027
Supplies	8,500	11,500	10,950	550
Contractual services	15,700	16,300	15,561	739
Telephone	1,300	1,500	1,391	109
Radio	1,000	1,000	978	22
Printing and publishing	1,500	1,100	1,018	82
Dues and subscriptions	500	300	290	10
Insurance	2,300	5,000	4,842	158
Repairs and maintenance	5,000	3,700	2,721	979
Utilities	4,800	10,800	9,444	1,356
Rent	12,000	12,000	12,000	-0-
Equipment rental	120,000	120,000	120,000	-0-
Training	1,000	750	750	-0-
Other	5,000	2,000	1,967	33
Capital outlay	15,200	22,200	24,555	(2,355)
TOTAL EXPENDITURES	294,100	291,750	283,138	8,612
EXCESS OF REVENUES OVER EXPENDITURES	33,000	5,900	15,233	9,333
Fund balance, beginning of year	181,670	181,670	181,670	-0-
Fund balance, end of year	<u>\$ 214,670</u>	<u>\$ 187,570</u>	<u>\$ 196,903</u>	<u>\$ 9,333</u>